

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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January 27, 2003

Ms. Carol Disbro, Director of Reimbursement
Integrated Health Services, Inc.
The Highlands
910 Ridgebrook Road
Sparks, Maryland 21152

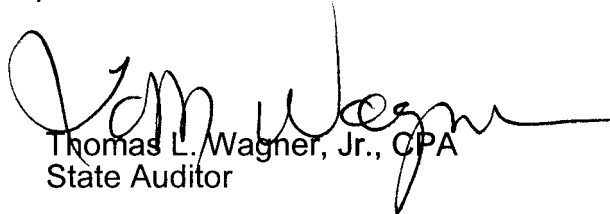
Re: AC# 3-MIN-J8 – Magnolia Manor – Inman, Inc.

Dear Ms. Disbro:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

MAGNOLIA MANOR – INMAN, INC.

INMAN, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 1999
AC# 3-MIN-J8**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 6, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Magnolia Manor – Inman, Inc., for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. The management of Magnolia Manor – Inman, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

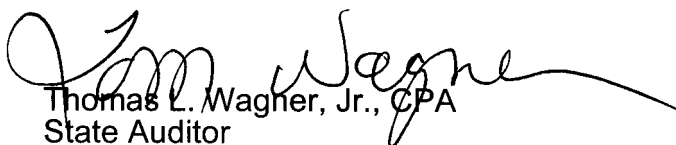
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Magnolia Manor – Inman, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Magnolia Manor – Inman, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
December 6, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

MAGNOLIA MANOR - INMAN, INC.
Computation of Rate Change
For the Contract Period
Beginning October 1, 1999
AC# 3-MIN-J8

10/01/99-
09/30/00

Interim Reimbursement Rate (1)	\$94.60
Adjusted Reimbursement Rate	<u>90.65</u>
Decrease in Reimbursement Rate	<u>\$ 3.95</u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

MAGNOLIA MANOR - INMAN, INC.

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-MIN-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$42.78	\$50.88	
Dietary		9.12	9.69	
Laundry/Housekeeping/Maintenance		<u>8.28</u>	<u>8.24</u>	
Subtotal	<u>\$4.82</u>	60.18	68.81	\$60.18
Administration & Medical Records	<u>\$3.28</u>	<u>8.28</u>	<u>11.56</u>	<u>8.28</u>
Subtotal		68.46	<u>\$80.37</u>	68.46
<u>Costs Not Subject to Standards:</u>				
Utilities		2.01		2.01
Special Services		1.04		1.04
Medical Supplies & Oxygen		4.54		4.54
Taxes and Insurance		.98		.98
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		<u>\$77.04</u>		77.04
Inflation Factor (3.00%)				2.31
Cost of Capital				6.60
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.70
Cost Incentive				4.82
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.77)
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>2.20</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$90.65</u>

MAGNOLIA MANOR - INMAN, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1998
 AC# 3-MIN-J8

<u>Expenses</u>	<u>Totals (From Schedule SC 13) as Adjusted by DH&HS</u>	<u>Adjustments Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,754,339	\$ 349 (4)	\$ 1,997 (4) 31,726 (5) 11,896 (7)	\$2,709,069
Dietary	576,766	558 (4)	-	577,324
Laundry	170,853	1,210 (6)	-	172,063
Housekeeping	230,957	-	-	230,957
Maintenance	135,510	119 (4)	14,403 (8)	121,226
Administration & Medical Records	695,595	6,627 (4) 31,726 (5)	45,814 (3) 6,012 (4) 74,587 (6) 82,899 (9)	524,636
Utilities	127,064	-	-	127,064
Special Services	85,529	355 (4)	4,373 (6) 15,393 (10)	66,118
Medical Supplies & Oxygen	286,527	1,286 (10)	-	287,813
Taxes and Insurance	61,800	-	-	61,800
Legal Fees	492	-	-	492
Cost of Capital	414,106	15,231 (2) 12,100 (11)	10,204 (1) 13,339 (6)	417,894
Subtotal	5,539,538	69,561	312,643	5,296,456

MAGNOLIA MANOR - INMAN, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-MIN-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	94,123	-	-	94,123
Non-Allowable	338,150	10,204 (1) 45,814 (3) 1 (4) 91,089 (6) 11,896 (7) 14,403 (8) 82,899 (9) <u>14,107 (10)</u>	15,231 (2) 12,100 (11)	581,232
Total Operating Expenses	<u>\$5,971,811</u>	<u>\$339,974</u>	<u>\$339,974</u>	<u>\$5,971,811</u>
Total Patient Days	<u>63,328</u>	<u>-</u>	<u>-</u>	<u>63,328</u>
Total Beds	<u>176</u>			

MAGNOLIA MANOR - INMAN, INC.
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-MIN-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$10,204	
	Accumulated Depreciation	25,244	
	Other Equity	65,449	
	Fixed Assets		\$90,693
	Cost of Capital		10,204
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Fixed Assets	182,770	
	Cost of Capital	15,231	
	Accumulated Depreciation		16,500
	Nonallowable		15,231
	Other Equity		166,270
	To adjust fixed assets and related depreciation for capital lease HIM-15-1, Section 110B		
3	Nonallowable	45,814	
	Administration		45,814
	To remove rental payments on capital lease HIM-15-1, Section 110B		
4	Nonallowable	1	
	Restorative	349	
	Dietary	558	
	Maintenance	119	
	Medical Records	6,627	
	Special Services	355	
	Nursing		1,997
	Administration		6,012
	To adjust the fringe benefits allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

MAGNOLIA MANOR - INMAN, INC.
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-MIN-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Medical Records Nursing	31,726	31,726
	To reclassify salaries to the proper cost center DH&HS Expense Checklist		
6	Nonallowable Laundry	91,089 1,210	
	Administration		74,587
	Special Services		4,373
	Cost of Capital		13,339
	To adjust home office and related party laundry expense HIM-15-1, Section 2304		
7	Nonallowable Nursing	11,896	11,896
	To remove expense improperly recorded twice HIM-15-1, Section 2304		
8	Nonallowable Maintenance	14,403	14,403
	To remove storage fees not related to patient care HIM-15-1, Section 2102.3		
9	Nonallowable Administration	82,899	82,899
	To adjust Premiere fees HIM-15-1, Section 2304		
10	Medical Supplies & Oxygen	1,286	
	Nonallowable	14,107	
	Special Services		15,393
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

MAGNOLIA MANOR - INMAN, INC.
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-MIN-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Cost of Capital Nonallowable	12,100	12,100
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$613,437</u>	<u>\$613,437</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

MAGNOLIA MANOR - INMAN, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-MIN-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>176</u>
Deemed Asset Value	6,182,880
Improvements Since 1981	389,431
Accumulated Depreciation at 9/30/98	<u>(874,619)</u>
Deemed Depreciated Value	5,697,692
Market Rate of Return	<u>.063</u>
Total Annual Return	358,955
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	358,955
Depreciation Expense	65,215
Amortization Expense	420
Capital Related Income Offsets	(6,696)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	417,894
Total Patient Days (Minimum 97% Occupancy)	<u>63,328</u>
Cost of Capital Per Diem	\$ <u><u>6.60</u></u>

MAGNOLIA MANOR - INMAN, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-MIN-J8

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$2.92
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u><u>6.91</u></u>
Reimbursable Cost of Capital Per Diem	\$6.60
Cost of Capital Per Diem	<u>6.60</u>
Cost of Capital Per Diem Limitation	\$ <u><u>-</u></u>

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